

## Message Text

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ORIGIN STR-04

INFO OCT-01 AF-10 ARA-10 EA-07 EUR-12 NEA-10 IO-13  
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DRAFTED BY STR:MPOMERANZ/EB/OT/STA:TO'HERRON:JH  
APPROVED BY STR/TPSC:WKELLY  
EB/ITP:SAHMAD  
COMM:BMILLER  
LABOR:EHABBERTON  
USDA:GWHITE  
USDA:KREYNOLDS  
EB/OT/STA:JSPIRO  
TREAS:WBARREDA

-----043433 222246Z /66

O R 222145Z JUL 77  
FM SECSTATE WASHDC  
TO USMISSION GENEVA IMMEDIATE  
INFO AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: ETRD, JA, GATT

SUBJECT: GATT COUNCIL: U.S. STATEMENT ON JAPANESE IMPORT  
RESTRICTIONS ON THROWN SILK

1. UNDER AGENDA ITEM ON THROWN SILK, US REP SHOULD MAKE  
FOLLOWING STATEMENT:

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BEGIN QUOTE: PRIOR TO FEBRUARY 1976, THE UNITED STATES  
WAS A SUPPLIER OF THROWN SILK YARN TO JAPAN. THOUGH THIS  
TRADE ACHIEVED A PEAK YEAR LEVEL OF ONLY \$6 MILLION, IT  
IS OF VITAL IMPORTANCE TO THE FEW REMAINING SILK THROWING  
MILLS IN THE DEPRESSED AREAS OF THE EASTERN PART OF THE  
STATE OF PENNSYLVANIA.

IN FEBRUARY 1976, JAPANESE CUSTOMERS INFORMED THE U.S. EXPORTERS THAT JAPANESE FOREIGN EXCHANGE BANKS HAD BEEN INSTRUCTED BY MITI NOT TO OPEN ANY NEW LETTERS OF CREDIT FOR THROWN SILK YARNS FROM THE U.S. THE DETAILS OF THE MECHANISM BEING USED BY THE JAPANESE GOVERNMENT TO RESTRICT IMPORTS FROM THE U.S. WERE NOT CLEAR BUT THE BEST EVIDENCE SEEMED TO BE THAT IT WAS A MITI ADMINISTRATIVE PROCEDURE BACKED UP BY USE OF THE JAPANESE EXCHANGE CONTROL MECHANISMS. THE JAPANESE GOVERNMENT DID NOT NOTIFY THOSE

IMPORT RESTRICTIONS ON THROWN SILK TO THE GATT. THE JAPANESE DUTY ON THROWN SILK IS BOUND UNDER THE GATT AT 7.5 .

SINCE MID 1976, THE U.S. HAS BEEN HOLDING DISCUSSIONS WITH THE GOVERNMENT OF JAPAN WITH RESPECT TO THE RESTRICTIONS ON THROWN SILK YARN EXPORTED FROM THE U.S. DURING THIS PERIOD IMPORTS FROM COUNTRIES SUCH AS THE PEOPLE'S REPUBLIC OF CHINA, THE REPUBLIC OF KOREA, AND THE REPUBLIC OF CHINA HAVE CONTINUED TO ENTER JAPAN UNDER QUOTAS NEGOTIATED WITH THOSE COUNTRIES. ADDITIONAL AMOUNTS HAVE BEEN LICENSED FOR IMPORT FROM OTHER SUPPLIERS WHO DID NOT HAVE A QUOTA ARRANGEMENT WITH THE JAPANESE, BUT EXPORTS FROM THE U.S. CONTINUED TO BE DENIED ENTRY INTO JAPAN.

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IN LATE MAY OF THIS YEAR, THE JAPANESE GOVERNMENT NOTIFIED THE GATT (SEE GATT L/DIC 4509 OF JUNE 8, 1977) THAT IT WAS INSTITUTING A "PRIOR PERMISSION SYSTEM" UNDER ARTICLE XVII. THE BASIS OF THE NOTIFICATION WAS THAT THE NEW SYSTEM IMPOSING RESTRICTIONS ON IMPORTS OF SILK YARN AND KNITTED OR CROCHETED FABRIC MADE OF SILK WAS NECESSARY TO AVOID DISRUPTION OF THE STATE TRADING OF RAW SILK, WHICH WAS FIRST NOTIFIED UNDER ARTICLE XVII IN AUGUST OF 1974.

MR. CHAIRMAN, THE U.S. GOVERNMENT IS OF THE OPINION THAT THE JAPANESE RESTRICTIONS ON THROWN SILK CONSTITUTE UNJUSTIFIABLE RESTRICTIONS AGAINST U.S. EXPORTS AND ARE CONTRARY TO THE GATT BY: (1) VIOLATING THE GENERAL MOST-FAVORED-NATION PROVISION OF ARTICLE I; (2) VIOLATING THE ARTICLE XI GENERAL PROHIBITION AGAINST IMPOSITION OF QUANTITATIVE RESTRICTIONS; (3) APPLYING THE QUANTITATIVE RESTRICTION IN A DISCRIMINATORY FASHION CONTRARY TO ARTICLE XIII, AND (4) VIOLATING ARTICLE XV BY USING FOREIGN EXCHANGE BANKS TO THWART THE PRINCIPLES OF THE GENERAL AGREEMENT. FURTHER, THE U.S. GOVERNMENT IS OF THE OPINION THAT ARTICLE XVII DOES NOT APPLY IN

THIS CASE SINCE THROWN SILK IS NOT SUBJECT TO STATE TRADING, AND EVEN IF IT DID APPLY, THE REQUIREMENTS OF THAT ARTICLE, NOTABLY SECTION 1, HAVE NOT BEEN MET.

MR. CHAIRMAN, WE HAVE CONDUCTED EXTENDED DISCUSSIONS WITH THE GOVERNMENT OF JAPAN ON THIS ISSUE, BUT THERE HAS BEEN NO SATISFACTORY SOLUTION TO OUR PROBLEM. THE JAPANESE MEASURES HAVE HAD A SEVERE ADVERSE IMPACT ON THE UNITED STATES THROWN SILK INDUSTRY. THE UNTIED STATES GOVERNMENT BELIEVES THAT THE JAPANESE RESTRICTIONS ARE UNJUSTIFIED AND INCONSISTENT WITH JAPAN'S OBLIGA-

TIONS UNDER THE GENERAL AGREEMENT, AND THAT THEY CONSTITUTE A NULLIFICATION OR IMPAIRMENT OF UNITED STATES LIMITED OFFICIAL USE

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RIGHTS UNDER THE GENERAL AGREEMENT. WE SEEK THE REMOVAL OF THESE RESTRICTIONS WITHIN THE SHORTEST POSSIBLE TIME. THE UNITED STATES REQUESTS THAT THE COUNCIL AGREE TO THE ESTABLISHMENT OF A PANEL, ACCORDING TO THE PROVISIONS OF ARTICLE XXIII(2) OF THE GENERAL AGREEMENT, TO REVIEW THE COMPLAINT WE HAVE MADE AT THIS MEETING. WE URGE THAT THE SECRETARIAT BE REQUESTED TO SUGGEST, AS SOON AS POSSIBLE, NAMES OF PERSONS WHO MIGHT SUITABLY SERVE ON SUCH A PANEL. FINALLY, MR. CHAIRMAN, WE REQUEST THAT THE PANEL BE INSTRUCTED TO EXPEDITE ITS WORK AND REPORT BACK TO THE COUNCIL AS RAPIDLY AS POSSIBLE. IN THIS REGARD, WE NOTE THAT THE WORKING PARTY WHICH STUDIED THE RECENT JAPANESE COMPLAINT AGAINST THE UNITED STATES ARISING OUT OF THE ZENITH CASE, DID SO WITHIN A VERY FEW WEEKS--A RAPIDITY WHICH SATISFIED THE COMPLAINANT AND BROUGHT INCREASED PRESTIGE TO THE GATT DISPUTE-SETTLEMENT MECHANISM. WE ARE SEEKING SIMILAR SPEED IN THIS CASE. END TEXT.

2. THE ABOVE STATEMENT ASSUMES JAPANES COMMITMENT TO COOPERATE IN MOVING WORK OF PANEL FORWARD RAPIDLY. (PARA 2 OF STATE 169645) FAILING MISSION EFFORT TO OBTAIN SUCH COMMITMENT, CHANGES MAY BE REQUIRED IN STATEMENT. VANCE

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## Message Attributes

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